

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; FY 08-09 BUDGET REQUEST

Schedule 13											
Change Request for FY 08-09 Budget Request Cycle											
Decision Item FY 08-09		Base Reduction Item FY 08-09		Supplemental FY 07-08		Budget Request Amendment FY 08-09					
<b>Request Title:</b>	Revised Tobacco Tax Funding for CBMS										
<b>Department:</b>	Health Care Policy and Financing				<b>Dept. Approval by:</b> John Bartholomey		<b>Date:</b> November 1, 2007				
<b>Priority Number:</b>	BRI - 1				<b>OSPB Approval:</b> <i>h m z</i>		<b>Date:</b> 10/23/07 for 11/1/07				
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
<b>Total of All Line Items</b>	<b>Total</b>	7,532,758	8,716,030	0	8,716,030	7,975,468	0	7,975,468	0	7,975,468	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	3,458,114	4,021,332	0	4,021,332	3,677,330	(417,996)	3,259,334	0	3,259,334	(417,996)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	516,953	580,621	0	580,621	532,547	417,996	950,543	0	950,543	417,996
	FF	3,557,691	4,114,077	0	4,114,077	3,765,591	0	3,765,591	0	3,765,591	0
<b>(6) DHS Medicaid Funded Programs -</b>	<b>Total</b>	7,532,758	8,716,030	0	8,716,030	7,975,468	0	7,975,468	0	7,975,468	0
<b>(B) Office of Information Technology Services -</b>	<b>FTE</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Colorado Benefits Management System</b>	<b>GF</b>	3,458,114	4,021,332	0	4,021,332	3,677,330	(417,996)	3,259,334	0	3,259,334	(417,996)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	516,953	580,621	0	580,621	532,547	417,996	950,543	0	950,543	417,996
	FF	3,557,691	4,114,077	0	4,114,077	3,765,591	0	3,765,591	0	3,765,591	0
<b>Letternote revised text:</b>		(6) Department of Human Services - Medicaid Funded Programs, (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System: a) Of this amount, \$279,574 shall be from the Children's Basic Health Trust Fund created in Section 25 5-8-105 (1), C.R.S.; \$630,055 shall be from Health Care Expansion Fund created in Section 24-22-117 (2) (a) (i), C.R.S.; and \$40,877(T) shall be from moneys in the Old Age Pension Fund appropriated to the Department of Human Services, pursuant to Article 24 of the State Constitution									
<b>Cash Fund name/number, Federal Fund Grant name:</b>		Cash Funds Exempt Children's Basic Health Plan Trust Fund, Health Care Expansion Fund									
<b>IT Request:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>											
<b>Request Affects Other Departments:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		<b>If Yes, List Other Departments Here:</b>									

**CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE**

Department:	Health Care Policy and Financing
Priority Number:	BRI-1
Change Request Title:	Revised Tobacco Tax Funding for CBMS

**SELECT ONE (click on box):**

- ☐ Decision Item FY 08-09
- ☒ Base Reduction Item FY 08-09
- ☐ Supplemental Request FY 07-08
- ☐ Budget Request Amendment FY 08-09

**SELECT ONE (click on box):**

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
- ☐ An emergency
- ☐ A technical error which has a substantial effect on the operation of the program
- ☐ New data resulting in substantial changes in funding needs
- ☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

This Base Reduction Item seeks to refinance \$417,996 in General Fund and \$149,195 Cash Funds Exempt from the Children's Basic Health Plan Trust Fund with Health Care Expansion Fund money in the Colorado Benefits Management System line. This funding will be used to pay the processing costs associated with expansion clients served by Medicaid and the Children's Basic Health Plan, respectively, as a result of the passage of HB 05-1262.

Background and Appropriation History:

During the elections of 2004, Colorado voters passed Amendment 35 that authorized the State of Colorado to levy an additional tax on cigarettes and other tobacco products. Amendment 35 stipulated that the additional revenue collected as a result of the tobacco tax will be used to provide tobacco education programs, smoking prevention programs, and additional health care services for Colorado's population.

In order to utilize revenue generated by the tobacco tax, the Colorado Legislature passed HB 05-1262 during the 2005 legislative session. This bill specified the types of services and populations that could be funded with the tobacco tax revenues. Of the programs created in HB 05-1262, the Department administers the Primary Care Fund and the Health

Care Expansion Fund directly. The Department also has funds appropriated to it for other programs administered by the Department of Human Services and the Department of Public Health and Environment.

The Health Care Expansion Fund provides funding for a number of expansion populations created as a result of HB 05-1262, as follows:

- Expansion of the Children's Basic Health Plan coverage to include individuals between 186% and 200% of the federal poverty level,
- Coverage for clients enrolled in the Children's Basic Health Plan above the FY 03-04 enrollment levels,
- Clients eligible for Medicaid due to the removal of the asset test,
- Elimination of the Children's Extensive Support and Children's Home and Community Based Services waitlists,
- Medical assistance to legal immigrants,
- Expansion to 60% of the federal poverty level for parents of Medicaid or Children's Basic Health Plan eligible clients,
- Presumptive Eligibility for pregnant women.

An additional stipulation of the Health Care Expansion Fund money in HB 05-1262 was that the funds could only be used to serve populations eligible as a result of expanded eligibility criteria.

Eligibility for each of these expansion populations, with the exception of the presumptive eligibility population, is processed through the Colorado Benefits Management System. The Colorado Benefits Management System is the State's integrated eligibility determination system that processes eligibility for 36 medical and financial assistance programs administered by the Department or the Department of Human Services. Currently, State and federal costs for the Colorado Benefits Management System are allocated to each program through the Colorado Benefits Management System calculator, with the exception of a small portion of Health Care Expansion Fund money that receives

a 50% federal Medicaid match only. This calculator is the only federally approved method of allocating costs among the various programs that receive federal match funds.

When the Department projected the impact of HB 05-1262, it requested \$125,728 in total funds for additional mailings required as a result of the expansion populations, without any additional funding to pay for operational costs associated with eligibility processing.

General Description of Request:

This is a technical adjustment to the current appropriation as the Department would realize a General Fund savings of \$417,996 that would be offset by an increase in the amount of Cash Funds Exempt requested. In addition, the request refinances \$149,195 in Cash Funds Exempt from the Children's Basic Health Plan Trust with Health Care Expansion Fund revenue to pay for processing eligibility of expansion clients. There is a net-zero total funds change to this request.

The Department believes that Health Care Expansion Fund money is the appropriate revenue stream to fund the clients eligible for Medicaid or the Children's Basic Health Plan as a result of the expanded eligibility groups created in HB 05-1262. However, since FY 05-06, all eligibility processing for expansion clients (with the exception of \$125,728 for mailings and postage) has been financed through the Colorado Benefits Management System calculator. The Colorado Benefits Management System calculator, unfortunately, allocates costs among the various Medicaid, Children's Basic Health Plan, and Old Age Pension Fund programs, without any adjustment for new revenue streams since it was first derived for financing the CBMS development cost allocation, including Health Care Expansion Fund revenue. Because of this, the Department believes that there is a significant amount of State share in operational costs for the Colorado Benefits Management System that can be refinanced with Health Care Expansion Fund moneys.

This request only seeks to refinance the allowable Medicaid and Children's Basic Health Plan expansion client eligibility costs. Because the Health Care Expansion Fund does not provide funding for increased eligibility in the Old Age Pension program, this request does not seek Cash Funds Exempt from the Health Care Expansion Fund to supplant any portion of the Old Age Pension share of the Colorado Benefits Management System's operational costs. Additionally, even though the Health Care Expansion Fund does

provide funding for the Medicaid Presumptive Eligibility population, since eligibility for individuals enrolled in that program is not processed through the Colorado Benefits Management System, this population was also excluded from the refinancing calculation.

24-22-117 (2) (a) (II) (A-H), C.R.S. (2007) authorizes the State to pay for the aforementioned expansion populations using Health Care Expansion Fund money. This request allows the Department to take advantage of its ability to pay for the expansion populations' administrative costs with Health Care Expansion Fund money and realize General Fund savings at the same time.

Consequences if Not Funded:

If this request is not funded, the State would not be able to maximize the use of Health Care Expansion Fund money as an offset to General Fund and would not make a consistent policy for using Health Care Expansion Fund money to support the administrative costs associated with expansion clients.

Calculations for Request:

The following tables show how the Department developed its calculation of the portion of expansion fund clients served relative to the Department's projected caseload.

Summary of General Fund Impact of Budget Reduction Item #1				
	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
<b>FY 08-09 Base Request</b>	<b>\$7,975,468</b>	<b>\$3,677,330</b>	<b>\$532,547</b>	<b>\$3,765,591</b>
FY 08-09 Medicaid Expansion Client Refinancing (Table 4, row q)	\$0	(\$417,996)	\$417,996	\$0
<b>Total FY 08-09 Request</b>	<b>\$7,975,468</b>	<b>\$3,259,334</b>	<b>\$950,543</b>	<b>\$3,765,591</b>

<b>Table 1: Projected FY 08-09 Expansion Caseload</b>	
<b>Medicaid</b>	<b>Projected Caseload</b>
Expansion Adults <sup>1</sup>	9,462
Legal Immigrants <sup>1</sup>	3,512
Children's Home and Community Based Services <sup>1</sup>	678
Children's Extensive Support <sup>1</sup>	79
Asset Test Removal Population	35,536
<b>Total FY 08-09 Projected Medicaid Expansion Caseload</b>	<b>49,267</b>
<b>Children's Basic Health Plan</b>	
Medical <sup>2</sup>	20,460
Prenatal <sup>2</sup>	1,377
<i>Total FY 08-09 Projected Children's Basic Health Plan Expansion Caseload</i>	<i>21,837</i>
<b>Total FY 08-09 Projected Expansion Caseload</b>	<b>71,104</b>

1) Caseload amounts taken from the Department's November 1, 2007 Medical Services Premiums, Exhibits EA -6 and -7.

2) Taken from the November 1, 2007 Children's Basic Health Plan DI – 3, Exhibit C.3.

<b>Table 2: Expansion Population as a Percent of Total Caseload</b>	
	<b>Total Caseload</b>
Children's Basic Health Plan Population - Total FY 08-09 Caseload	63,978
Medicaid Population - Total FY 08-09 Caseload	383,067
<b>Total Projected FY 08-09 Caseload</b>	<b>447,045</b>
Children's Basic Health Plan Population - FY 08-09 Expansion Caseload	21,837
Medicaid Population - FY 08-09 Expansion Caseload	49,267
<b>Total Projected FY 08-09 Expansion Caseload</b>	<b>71,104</b>
Children's Basic Health Plan Population (Equal to 21,837/447,045)	4.88%
Medicaid Population (Equal to 49,267/447,045)	11.02%
<b>Total Projected Percent Expansion Caseload</b>	<b>15.91%</b>

<b>Table 3: Allocation of Funding for the Expansion Population</b>	
<b>Description</b>	<b>Amount</b>
a. FY 08-09 Base Request Funding for CBMS Operations from Health Care Policy and Financing Only	\$8,726,570
b. Projected Total Caseload (November 1, 2007 Budget Request, Exhibit EB-1, DI-3 Exhibit C.3)	447,045
c. FY 08-09 Projected Medicaid Expansion Caseload (November 1, 2007 Budget Request, Exhibit EA-1)	49,267
d. FY 08-09 Projected Medicaid Expansion Caseload as a Percent of Total Caseload (c / b)	11.02%
<b>e. FY 08-09 Base Request that should be allocated to Medicaid Expansion Caseload (a * d)</b>	<b>\$961,720</b>
f. Health Care Expansion Fund portion (e * 50%)	\$480,860
g. Federal Funds portion (e * 50%)	\$480,860
h. FY 08-09 Projected CBHP Expansion Caseload (November 1, 2007 Budget Request, DI-3 - Exhibit C.3)	21,837
i. FY 08-09 Projected CBHP Expansion Caseload as a Percent of Total Caseload (h / b)	4.88%
<b>j. FY 08-09 Base Request that should be allocated to CBHP Expansion Caseload (a * i)</b>	<b>\$426,271</b>
k. Health Care Expansion Fund portion (j * 35%)	\$149,195
l. Federal Funds portion (j * 65%)	\$277,076

<b>Table 4: FY 08-09 Medicaid Expansion Population Need</b>					
			<b>Cash Funds Exempt</b>		
	<b>Total Funds</b>	<b>General Fund</b>	<b>Health Care Expansion Fund</b>	<b>Children's Basic Health Plan</b>	<b>Federal Funds</b>
m. Need for Medicaid Expansion Clients (e through g in Table 5)	\$961,720	\$0	\$480,860	\$0	\$480,860
n. Base Request Funding for Expansion Clients (assumed 100% Medicaid)	\$125,728	\$0	\$62,864	\$0	\$62,864
o. Health Care Expansion Funding for Medicaid Expansion Clients Beyond Base Request Funding (m - n)	\$835,992	\$0	\$417,996	\$0	\$417,996
p. Offsetting Reduction to Traditional Medicaid Client Funding for this Expansion Population	(\$835,992)	(\$417,996)	\$0	\$0	(\$417,996)
<b>q. Request for Medicaid Expansion Clients Refinancing (o + p)</b>	<b>\$0</b>	<b>(\$417,996)</b>	<b>\$417,996</b>	<b>\$0</b>	<b>\$0</b>

<b>Table 5: FY 08-09 Children's Basic Health Plan Expansion Population Need</b>					
			<b>Cash Funds Exempt</b>		
	<b>Total Funds</b>	<b>General Fund</b>	<b>Health Care Expansion Fund</b>	<b>Children's Basic Health Plan</b>	<b>Federal Funds</b>
r. Need for CBHP Expansion Clients (j through l in Table 5)	\$426,271	\$0	\$149,195	\$0	\$277,076
s. Base Request Funding for Expansion Clients (assumed 0% for CBHP)	\$0	\$0	\$0	\$0	\$0
t. Health Care Expansion Funding for CBHP Expansion Clients Beyond Base Request Funding (r - s)	\$426,271	\$0	\$149,195	\$0	\$277,076
u. Offsetting Reduction to Traditional CBHP Client Funding for this Expansion Population	(\$426,271)	\$0	\$0	(\$149,195)	(\$277,076)
<b>v. Request for Medicaid Expansion Clients Refinancing (t + u)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$149,195</b>	<b>(\$149,195)</b>	<b>\$0</b>



Assumptions for Calculations:

**Table 1**

The Department has used the latest FY 08-09 caseload projection of the expansion populations, except for the asset test removal population, as reported in the November 1, 2007 Budget Request, Tobacco Tax Update, Appendix Page 2. For the asset test removal population, the Department has used the caseload information as reported in its tobacco tax report on this population and adjusted it to reflect the fact that the Department cannot obtain asset information on approximately half of the potential asset test removal population. The Department must rely on information collected from individuals that apply for Medicaid and a financial assistance program that requires asset information to project the total asset test removal population.

**Table 2**

In this table, the Department has reported the total caseload for the Children's Basic Health Plan and Medicaid programs for FY 08-09 as presented in the November 1, 2007 caseload update. The Department has taken a ratio of the projected expansion population caseload reported in Table 1 to the total population listed in Table 2 to calculate the portion of all Health Care Policy and Financing Colorado Benefits Management System activity that can be attributed to the Health Care Expansion Fund populations. As reported in the table, roughly 4.88% of all Colorado Benefits Management System costs can be attributed to the Children's Basic Health Plan expansion clients and 11.02% are attributable to Medicaid expansion clients.

**Table 3**

Table 3 provides the detail regarding the Department's projection of Health Care Expansion Fund need. The Department has used the FY 08-09 Base Request for the Colorado Benefits Management System as shown on the Schedule 3s, (6) DHS Medicaid Funded Programs tab, page D.6-6.

The portion of total funding attributable to the Medicaid expansion population was calculated by taking the product of the FY 08-09 Colorado Benefits Management System base and the ratio of Medicaid expansion caseload to total caseload as calculated in Table 2. Because Medicaid expenditures receive a 50% federal match, the total expansion Medicaid portion is multiplied by 50% to calculate the State's portion of costs.

The portion of Children's Basic Health Plan Trust Fund money that will be replaced with Health Care Expansion Fund money was calculated in much the same way that the Medicaid portion was calculated. However, the Children's Basic Health Plan receives a 65% match on State expenditures, so the amount of Children's Basic Health Plan Trust Fund money that could be replaced with Health Care Expansion Fund Cash Funds Exempt is markedly different than it would be for Medicaid costs.

**Table 4**

In Table 4, the Department has outlined the types and amount of funding changes needed to allocate the proper portion of total Medicaid expansion client costs to the Colorado Benefits Management System line. In total, the Department has projected that \$480,860 in General Fund can be replaced with Health Care Expansion Fund money. However, because \$62,864 in Health Care Expansion Fund money has already been appropriated to the Colorado Benefits Management System line, the Department has assumed that this amount will partially offset the total need. The final projected Health Care Expansion Fund need is \$417,996 in Cash Funds Exempt. Please refer to the assumptions and calculations for Table 3 for further information on how these projections were developed.

**Table 5**

Table 5 provides the changes that will be necessary to correct the amount of Health Care Expansion Fund money that will replace Cash Funds Exempt from the Children's Basic Health Plan Trust Fund. Because the amount of Health Care Expansion Fund money already appropriated to the Colorado Benefits Management uses the Medicaid federal match rate of 50%, the Department has assumed that there was no Health Care Expansion Fund money used to credit the State's portion of Children's Basic Health Plan expansion clients' administrative expenditures. The Department has projected a Cash Funds Exempt need from the Health Care Expansion Fund of \$149,195. Because the Children's Basic Health Plan receives a 65% federal match on expenditures, reallocating \$149,195 in Cash Funds Exempt requires a reallocation of \$426,271. Please refer to the assumptions and calculations for Table 3 for further information on how these projections were developed.

Impact on Other Government Agencies: This request does not affect any other State agencies. Because this request is a net-zero total funds request for the Department, all funds transferred to the Department of Human Services will remain unchanged in total.

Cost Benefit Analysis:

Cost (Total Funds)	Benefit
\$0	The Department would be able to realize a General Fund savings of \$417,996 if this request is approved. In addition, the Department would reflect the appropriate funding source for the administrative costs for Health Care Expansion Fund clients served through the Department's various programs. This request also allows the Department to utilize \$149,195 in Health Care Expansion Fund Cash Funds Exempt in place of the same amount of Children's Basic Health Plan Cash Funds Exempt moneys for expansion clients.

Statutory and Federal Authority: 24-37.5-101, C.R.S. (2007) Legislative declaration - findings. *(1) The general assembly hereby finds and declares that: (a) Communication and information resources in the various agencies of state government are valuable strategic assets belonging to the people of Colorado that must be managed accordingly; (b) Technological and theoretical advances in the area of communication and information use are recent in origin, immense in scope and complexity, and progressing rapidly; (c) The nature of these advances presents Colorado with the opportunity to provide higher quality, more timely, and more cost-effective governmental services; (d) Agencies independently acquire uncoordinated and duplicative information resource technologies that are more appropriately acquired as part of a coordinated effort for maximum cost effectiveness and use; (e) The sharing of communication and information resource technologies among agencies is often the most cost-effective method of providing the highest quality and most timely governmental services that would otherwise be cost prohibitive; (f) Considerations of both cost and the need for the transfer of information among the various agencies and branches of state government in the most timely and useful form possible require a uniform policy and coordinated system for the use and acquisition of communication and information resource technologies; and (g) It is the policy of this*

*state to coordinate and direct the use of communication and information resources technologies by state agencies and to provide as soon as possible the most cost-effective and useful retrieval and exchange of information both within and among the various state agencies and branches of government and from the state agencies and branches of government to the people of Colorado. To that end, the office of information technology is created.*

25.5-4-205, C.R.S. (2007) Application - verification of eligibility - demonstration project - rules - repeal. (1) (a) *Determination of eligibility for medical benefits shall be made by the county department in which the applicant resides, except as otherwise specified in this section. Local social security offices also determine eligibility for medicaid benefits at the same time they determine eligibility for supplemental security income. The state department may accept medical assistance applications and determine medical assistance eligibility and may designate the private service contractor that administers the children's basic health plan, Denver health and hospitals, a hospital that is designated as a regional pediatric trauma center, as defined in section 25-3.5-703 (4) (f), C.R.S., and other medical assistance sites determined necessary by the state department to accept medical assistance applications, to determine medical assistance eligibility, and to determine presumptive eligibility. When the state department determines that it is necessary to designate an additional medical assistance site, the state department shall notify the county in which the medical assistance site is located that an additional medical assistance site has been designated. Any person who is determined to be eligible pursuant to the requirements of this article and articles 5 and 6 of this title shall be eligible for benefits until such person is determined to be ineligible. Upon determination that any person is ineligible for medical benefits, the county department, the state department, or other entity designated by the state department shall notify the applicant in writing of its decision and the reason therefore. Separate determination of eligibility and formal application for benefits under this article and articles 5 and 6 of this title for persons eligible as provided in sections 25.5-5-101 and 25.5-5-201 shall be made in accordance with the rules of the state department.*

Performance Measures:

This request is supportive of the following performance measure because it seeks to increase the Department's budgetary accuracy in allocating expenditures to the Health Care Expansion Fund for Colorado Benefits Management System eligibility processing:

- Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services.